



Stossel Unhappy with Greenspan

When John Stossel of Fox Business Network wrote his recent “Memo to Alan Greenspan” column, he recounted many of Greenspan’s failings while Chairman of the Federal Reserve, including especially Greenspan’s relentless expansion of the money supply and lowering of interest rates that set in motion the housing bubble that burst in 2007.



But Stossel got one part of his memo wrong. He said, “We libertarians were distressed by Greenspan’s apparent abandonment of his free-market philosophy and his neglect of the government’s decisive role in the [current] crisis.” Stossel is referring to Greenspan’s friendship with and close ties to Objectivist Ayn Rand, for whom he wrote a number of articles on the principles of the free market, including “Antitrust,” “Gold and Economic Freedom,” and “The Assault on Integrity,” which were later published in Rand’s collection of articles *Capitalism: The Unknown Ideal*.

Greenspan understood clearly those principles. In “Antitrust,” he wrote:

The ultimate regulator of competition in a free economy is the capital market. So long as capital is free to flow, it will tend to seek those areas which offer the maximum rate of return....

The capital market acts as a regulator of prices ... it leaves an individual producer free to earn as much as he can by lowering his costs and by increasing his efficiency relative to others. Thus, it constitutes the mechanism that generates greater incentives to increased productivity and leads, as a consequence, to a rising standard of living.

In “Gold and Economic Freedom,” he wrote:

Stripped of its academic jargon, the welfare state is nothing more than a mechanism by which governments confiscate the wealth of the productive members of a society to support a wide variety of welfare schemes....

This is the shabby secret of the welfare statist’s tirades against gold. Deficit spending is simply a scheme for the “hidden” confiscation of wealth. Gold stands in the way of this insidious process.

And in “The Assault on Integrity” Greenspan writes:

Government regulation is not an alternative means of protecting the consumer. It does not build quality into goods, or accuracy into information. Its sole “contribution” is to substitute force and



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fear for incentive as the “protector” of the consumer. The euphemisms of government press releases to the contrary notwithstanding, the basis of regulation is armed force. At the bottom of the endless pile of paper work which characterizes all regulation lies a gun.

Any claim that Greenspan didn’t know how the market works free of government interference is absurd. He did know, and he wrote eloquently and persuasively about that knowledge.

In August 1987, just a month after Greenspan was appointed as Chairman of the Federal Reserve System by President Ronald Reagan, free-market economist and scholar Murray Rothbard wrote [A Minority Report](#) in which he said: “I knew Alan thirty years ago, and have followed his career with interest ever since.” His “real qualification is that he can be trusted never to rock the establishment’s boat. He has long positioned himself in the very middle of the economic spectrum. He is ... a conservative Keynesian.” Rothbard goes on to say:

There is one thing, however, that makes Greenspan unique, and that...is that he is a follower of Ayn Rand, and therefore “philosophically” believes in laissez-faire and even the gold standard. But ... Alan only believes in laissez-faire “on the high philosophical level.” In practice, in the policies he advocates, he is a centrist like everyone else because he is a “pragmatist.”

At no time in his prominent twenty-year career in politics has he ever advocated anything that even remotely smacks of laissez-faire, or even any approach to it. For Greenspan, laissez-faire is not a lodestar, a standard, a guide by which to set one’s course; instead, it is simply *a curiosity kept in the closet*. [Emphasis added.]

In Ryan McMaken’s [recent review](#) of *Panderer to Power* by Frederick Sheehan, he points out that Greenspan’s real ability was his skill in playing the political game, and “his ability to convince virtually all the world that he was perhaps the greatest economist of the age.” Even Ayn Rand and her associate Nathaniel Branden early on saw through him, when she asked, “Do you think Alan might basically be a social climber?” Sheehan noted that “Rand and Branden were instinctively suspicious of Greenspan’s motivations,” and that “Branden recalls a man without philosophical inclinations.” Interesting to note was the association Greenspan had with another Randian, Martin Anderson, who later became a member of the Reagan Administration “who would prove instrumental in Greenspan’s rise,” as he put it.

So adept was Greenspan that even when [caught out](#) on his willingness to manipulate the markets with his words, no one minded. In an interview with Maria Bartiromo on CNBC she asked the chairman:

All of these important economic events you are overseeing...you’ve got to convey what’s going on to people. That means Congress, the president, the media, the public. So what? You come up with Green-speak?

Greenspan: Otherwise known as Fed-speak.

Bartiromo: What is it?

Greenspan: It’s a language of purposeful obfuscation, to avoid [answering] certain questions...I proceed with four or five sentences which get increasingly obscure. The congressman thinks I answered the question [when I haven’t].

When CBS’ Leslie Stahl said that “in public Greenspan was inscrutable whenever Congress asked about interest rates. Greenspan admitted that “I would engage in some form of syntax destruction, which sounded as though I were...answering the question, but, in fact, [I] had not.”

Greenspan was able to defend his inability to predict the coming crash successfully until *Barron’s*



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magazine [uncovered](#) a copy of his 1977 Ph.D. thesis, which had been removed from NYU's library at his request. The author stated that Greenspan "knew exactly the consequences of the Fed's action long before he ever took over as Fed chair in 1987."

Others along with Stossel have been "distressed" at Greenspan's lack of consistency in supporting the free market, including Harry Binswanger who said back in 1999: "Somewhere deep below his polished political exterior, there's an economist who knows the value of the gold standard. I suspect that Mr. Greenspan knows a lot more about good economics than he lets the public or his colleagues at the Federal Reserve and Treasury know."

When pressed, Greenspan [describes himself](#) as a "lifelong libertarian Republican."

Without debating semantics, Greenspan made abundantly clear his true position as a statist when he called on Congress to let the Bush tax cuts expire at the end of the year: "I'm in favor of tax cuts ... [but] the problem we now face is the most extraordinary financial crisis that I have ever seen or read about."

Thomas Jefferson really wouldn't care if Greenspan were a Randian, a statist, an inflationist, or a "libertarian Republican." His remedy would remain the same:

In questions of power, then, let no more be heard of confidence in man, but bind him down from mischief by the chains of the Constitution.

Photo: Alan Greenspan



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